

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 4/7/2015	(3) CONTACT/PHONE Nikki J. Schmidt 805/781-5496	
(4) SUBJECT Hearing to consider a resolution declaring the results of majority protest proceedings, establishing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Conduct a public hearing to receive protests to the formation of the San Luis Obispo County Tourism Marketing District; and 2. If a majority protest does not exist, adopt the resolution establishing the San Luis Obispo County Tourism Marketing District; and 3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of the County of San Luis Obispo in the amount of one percent (1%) ; and 4. Approve the Management District Plan; and 5. The Clerk of the Board is directed to record in the County of San Luis Obispo's Recorder's Office a notice and assessment diagram, as required by Streets and Highways Code §36627. 			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Hearing (Time Est. <u>60 minutes</u>) <input type="checkbox"/> Board Business (Time Est. <u> </u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: <u>February 10, 2015, item #19;</u> <u>March 10, 2015, item #22</u>	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Nikki J. Schmidt, Administrative Office

DATE: 4/7/2015

SUBJECT: Hearing to consider a resolution declaring the results of majority protest proceedings, establishing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Conduct a public hearing to receive protests to the formation of the San Luis Obispo County Tourism Marketing District; and
2. If a majority protest does not exist, adopt the resolution establishing the San Luis Obispo County Tourism Marketing District; and
3. Levy an assessment on all lodging businesses that pay transient occupancy tax within the boundaries of the County of San Luis Obispo in the amount of one percent (1%) ; and
4. Approve the Management District Plan; and
5. The Clerk of the Board is directed to record in the County of San Luis Obispo's Recorder's Office a notice and assessment diagram, as required by Streets and Highways Code §36627.

DISCUSSION

This item continues the process to establish the San Luis Obispo County Tourism Marketing District (TMD) by asking the Board to consider the resolution of formation and levy of assessments.

The resolution of intention approved by your Board on February 10, 2015 instructed the Clerk to provide notice of the public meeting and future public hearing. A notice of proposed assessment was sent by the County to all owners of lodging businesses within the proposed district, setting March 10, 2015 as the public meeting to consider all written and oral protest and April 7th, 2015 as the date of the public hearing to consider the resolution of formation. All written protests are required to be received by the Clerk at or before the start of the April 7, 2015 public hearing on the resolution establishing the TMD.

If there is written protest from owners of lodging businesses within the proposed district, that pay more than 50% of the proposed assessment, the assessment shall not be imposed. The applicants may reapply to form the proposed TMD after a period of one year. If there is not such a majority protest, the resolution of formation will be considered by the Board at the public hearing. The Parking and Business Improvement District Law of 1994, Streets and Highways Code Section 36600 et seq., sets out the sequence of events required for a formation of the TMD.

At the February 10 meeting, the Board amended the Management District Plan by adding the following:

The Board of Directors shall be selected as follows:

- *One lodging business representative from each of the cities shall be appointed by the respective jurisdiction's city council or tourism organization, as each city determines*
- *One lodging business representative shall be appointed by the County Board of Supervisors*
- *One additional representative at-large shall be appointed by the County Board of Supervisors*
- *Nominations shall be sought from the assessed lodging businesses for the remaining six seats. Nominations will be verified by the nominating committee, and a slate provided to the Board of Directors. The slate will take into consideration the requirement for various business types.*

The Board of Directors shall serve for staggered three-year terms. The initial Board shall serve for terms of one, two or three years. At the initial meeting, each director shall draw lots to determine their term. Approximately one-third of the initial board shall serve for one-year term, one-third for a two-year term, and one-third for a three-year term.

There were no changes made to the Management District Plan at the March 10th public meeting. Changes can be made to the Management District Plan prior to the close of the public hearing on April 7th.

As noted above, all written protests are required to be received by the Clerk at or before the start of the April 7th hearing date. As of the writing of this staff report, we have received a total of 255 protest forms. The chart below illustrates the number of protest forms received by jurisdiction.

	# of Protest forms received	# of lodging businesses within jurisdiction	Percentage of protest forms returned per jurisdiction
Unincorporated County	209	1,035	20.19%
Arroyo Grande	5	16	31.25%
Atascadero	3	15	20.00%
Grover Beach	2	11	18.18%
Morro Bay	16	42	38.10%
Paso Robles	8	57	14.04%
Pismo Beach	6	51	11.76%
San Luis Obispo	6	38	15.79%
TOTALS	255	1,265	20.16%

We are unable to provide the total amount of taxable rents by protestor, as any information related to taxable rents that can be tied to any particular business is propriety. The chart below provides the percentage of lodging businesses, by jurisdiction, protesting the formation of the TMD based on the total amount of taxable rents.

Jurisdiction	Percentage Lodging Businesses Protesting (based on total taxable rents)
Unincorporated County	23.00%
Arroyo Grande	0.04%
Atascadero	0.04%

Grover Beach	24.41%
Morro Bay	23.15%
Paso Robles	9.53%
Pismo Beach	2.96%
San Luis Obispo	2.04%
Totals	13.34%

By comparison, a total of 117 petitions in support of the formation of TMD were received in the fall of 2014. The chart below provides the percentage of lodging business, by jurisdiction, in support of the formation of the TMD based on the total amount of taxable rents. The numbers shown for the cities reflect percentage as reported in staff reports at the time city councils considered resolutions of consent.

Jurisdiction	# of petition submitted	Percentage of petitions returned per jurisdiction (based on total taxable rents)
Unincorporated County	34	44.69%
Arroyo Grande	4	80.00%
Atascadero	5	92.00%
Grover Beach	2	85.00%
Morro Bay	18	53.00%
Paso Robles	13	75.39%
Pismo Beach	16	74.93%
San Luis Obispo	25	81.00%

Next Steps

If the resolution of formation is approved, assessment collections would begin on July 1, 2015. Each city is responsible for notifying lodging businesses within their jurisdictions of the formation of the TMD. The County's Treasurer-Tax Collector will notify lodging businesses within the unincorporated area. In addition, the assessments will be collected according to each jurisdiction's policies and ordinances pertaining to the collection of transient occupancy tax including applicable penalties and interest for delinquent assessment payments. It should be noted that the TMD assessment is an obligation of the lodging business owner which can be passed on to each transient. This is unlike transient occupancy tax which is a tax on the transient.

After the formation of the TMD, Administrative Office staff will be working to bring a contract to the Board with Visit San Luis Obispo County to act as the Owners' Association for the TMD. Additionally, as discussed above, the County has two representatives that will need to be appointed to the TMD's Owner's Association. Both appointments are subject to the Maddy Act. Those vacancies will be posted as required by law and staff will work with the County's Business Improvement District (BID) Advisory Board to solicit interest from unincorporated lodging business owners who might want to serve on the Owner's Association Board of Directors. An item requesting such appointments will be placed on a Board's future agenda.

OTHER AGENCY INVOLVEMENT/IMPACT

Staff from the Administrative Office, Auditor-Treasurer-Tax Collector, Clerk-Recorder, and County Counsel continues to participate in this process.

FINANCIAL CONSIDERATIONS

The proposed 1% assessment would be levied on the paid rent charged per occupied room per night, with consecutive stays of 30 days or more excluded. Revenue raised by this assessment is projected to be \$3.2 million per year for the initial five (5) year term that it will be collected. In addition, the County and cities may charge an administrative fee – up to 2% of the amount collected – to cover any costs associated with administering the TMD in their respective jurisdictions.

RESULTS

The County will not be establishing any performance criteria beyond the legal contractual obligation to expend the funds for identified purposes. The onus would be on the contracted Owner's Association to meet the expectations included in the District Marketing Plan as well as those of the lodging business owners collecting the assessment. It is expected the Owner's Association Board of Directors will develop measures that will track the success of the management district plan programs.

ATTACHMENTS

1. Vicinity Map
2. Sequence of Events
3. Management District Plan - amended February 10, 2015
4. Letter from Auditor-Treasurer-Tax Collect re: effective date
5. Resolution of Formation